

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-06 EUR-12 NEA-09 SSO-00

NSCE-00 USIE-00 INRE-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07 INT-05

L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02

SS-15 STR-04 TRSE-00 FRB-03 FEA-01 IO-10 OIC-02 PA-01

PRS-01 /128 W

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C O N F I D E N T I A L SECTION 01 OF 03 PARIS 08646

KUWAIT PASS BAGHDAD

T.O. 11652: GDS
TAGS: ENRG
SUBJECT: PRODUCER/CONSUMER PREPCON: FIRST DAY

1. IEA GOVERNING BOARD HELD BRIEF MEETING PRIOR TO OPENING SESSION OF PREPCON. MAJOR ISSUE ADDRESSED WAS THAT POSED BY OPEC DECISION NOT TO ATTEND PREPOCN AND ALGERIA'S STATEMENT TO FRENCH ON SUNDAY THAT IT WOULD NOT ATTEND IF IEA PRESENT AS OBSERVER. GB AGREED TO SUGGEST TO FRENCH THAT THE THREE OBSERVERS (IEA, OECD, AND THE UN) SIT BEHIND A SINGLE "OBSERVER" NAMEPLATE. THIS SUGGESTION ACCEPTED AND ALGERIA DID NOT RAISE QUESTION OF PRESENCE OF IEA DURING TODAYS SESSIONS.

2. MORNING SESSION OF PREPCON OPENED IN AN ATMOSPHERE OF RESTRAINED CORDIALITY. AFTER WELCOMING REMARKS FROM AMBASSADOR DE GUIRINGAUD, WHO WAS SUBSEQUENTLY DESIGNATED UNANIMOUSLY AS TECHNICAL CHAIRMAN OF PREPCON, DELEGATES OBSERVED MINUTE OF SILENCE FOR KING FAISAL, AND ADJOURNED FOR LUNCH. AFTERNOON SESSION BEGAN WITH ROUND OF OPENING STATEMENTS BY DELEGATIONS.

3. ALGERIAN STATEMENT ALMOST MANAGED TO AVOID USING THE WORD "ENERGY." THEME OF STATEMENT WAS THAT TWO KINDS OF COUNTRIES, DEVELOPED AND DEVELOPING, HAD COME TO PARIS
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TO PREPARE A MEETING TO DECIDE ON MEASURES TO PRODUCE "EQUITY" IN THE WORLD ECONOMY AND THUS AID ALL DEVELOPING COUNTRIES. ALGERIAN REPRESENTATIVE, AIT-CHALLAL, REFERRED TO HIS COUNTRY'S WELL-KNOWN VIEWS ON DEVELOPMENT AS EXPRESSED DURING THE UN SIXTH SPECIAL SESSION, AT THE RECENT MEETINGS IN DAKAR AND HAVANA AND IN THE OPEC SOLEMN DECLARATION. CONSISTENT WITH THESE VIEWS ALGERIANS DID NOT BELIEVE OIL COULD BE DISASSOCIATED

FROM OTHER RAW MATERIALS. THEREFORE, THE FULL CONFERENCE MUST TREAT ALL OF THEM. ON PARTICIPATION AT THE FULL CONFERENCE, ALGERIA WISHED A "SUBSTANTIAL ENLARGEMENT" OF PREPCON PARTICIPATION, WITH "AUTHENTIC REPRESENTATION" OF ALL INTERESTS.

4. TAHIR, IN A BRIEF STATEMENT ON BEHALF OF SAUDI ARABIA, ECHOED SENTIMENTS EXPRESSED BY ALGERIA BUT IN SOMEWHAT MUTED TONE AND ADDED THAT THE OPEC SOLEMN DECLARATION SHOULD BE THE POINT OF DEPARTURE FOR DRAWING UP CONFERENCE AGENDA.

5. BRAZIL'S CABRAL DE MELLO INJECTED WELCOME NOTE OF REALISM BY DESCRIBING AT SOME LENGTH THE PROBLEMS POSED FOR HIS COUNTRY BY THE INCREASE IN THE PRICE OF OIL, OF WHICH, HE SAID, BRAZIL IS THE SEVENTH LARGEST IMPORTER. CABRAL SAID HE WOULD PROVIDE BRAZIL'S IDEAS ON THE CONFERENCE AGENDA LATER IN THE PREPCON.

6. IRELAND'S GALLAGHER, REPRESENTING (ALONG WITH WELLENSTEIN OF THE COMMISSION) THE EUROPEAN COMMUNITY, READ BRIEF STATEMENT AGREED TO BY THE COMMUNITY'S AD HOC GROUP AT THEIR FRIDAY MEETING IN BRUSSELS. STATEMENT NOTED THAT PREPCON ATTENDEES WERE "PRODUCERS AND CONSUMERS" AND THAT THEIR TASK WAS TO PREPARE A CONFERENCE ON "ENERGY AND RELATED PROBLEMS." AS

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EXPECTED, STATEMENT WAS VAGUE ON QUESTION OF PARTICIPATION IN FULL CONFERENCE.

7. U.S. SPOKE NEXT. TEXT OF UNDER SECRETARY ROBINSON'S

REMARKS TRANSMITTED SEPTEL.

8. INDIA'S STATEMENT WAS SUBDUED PLEA FOR HELP AS AN MSA, ONE IN SYMPATHY WITH OPEC'S DESIRE TO RECEIVE "FAIR VALUE" FOR ITS OIL. INDIAN REPRESENTATIVE, AMBASSADOR SANYAL, NOTED INDIA IS RECEIVING INADEQUATE ASSISTANCE TO COPE WITH ITS ECONOMIC PROBLEMS. HE ALSO REITERATED INDIAN SUPPORT FOR THE "NEW ECONOMIC ORDER."

9. IRANIAN CENTRAL BANK GOVERNOR YEGANEH WELCOMED PROSPECT OF CONFERENCE, NOTING THE SHAH HAD MADE SIMILAR PROPOSAL WELL OVER YEAR AGO. HIS GENERALLY BALANCED STATEMENT NOTED THAT "ENERGY WILL OCCUPY THE PREDOMINANT POSITION ON AGENDA." STATEMENT REITERATED WELL-KNOWN IRANIAN INTEREST IN DISCUSSING CONSERVATION, ALTERNATIVE SOURCES, AND INFLATION PROTECTION BY LINKING TO CERTAIN OBJECTIVE CRITERIA, ALTHOUGH TERM "INDEXATION" NOT USED. IN APPARENT EFFORT TO SHOW SOLIDARITY WITH OPEC POSITION YEGANEH NOTED THAT ENERGY WAS JUST ONE RAW MATERIAL ISSUE AND THE CONFERENCE AGENDA SHOULD COVER OTHER RAW MATERIALS, INCLUDING FOOD. AGENDA SHOULD ALSO COVER DEVELOP-
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MENT ISSUES. ON PARTICIPATION, IRANIANS SUPPORTED LIMITING INVITATIONS FOR SAKE OF EFFICIENCY, BUT NOTED NUMBERS SHOULD BE INCREASED OVER PREPCON. STATEMENT PROPOSED THAT CONFERENCE BE PRECEDED BY MEETING OF WORKING GROUPS TO PREPARE GROUND-WORK. ADEQUACY OF PREPARATION WOULD DETERMINE DATE OF CONFERENCE. STATEMENT ENDED WITH OBSERVATION THAT DESPITE PREDICTIONS TO THE CONTRARY, THE WORLD HAD NOT ENDED AS A RESULT OF THE EVENTS OF LAST YEAR.

10. REMARKS BY JAPAN'S MIYAZAKI WERE CONCILIATORY, BUT EMPHASIZED THE "PRODUCER-CONSUMER" ORIENTATION OF THE CONFERENCE EXERCISE AND THE NECESSITY TO ADDRESS "OIL PROBLEMS." JAPAN SUPPORTED SOME EXPANSION OF PARTICIPATION AND SAID CONFERENCE SHOULD BE HELD "NOT LATER THAN THIS SUMMER."

11. STATEMENT BY VENEZUELA'S PEREZ GUERRERO PLACED ONE FOOT FIRMLY IN THE OPEC CAMP AND ANOTHER IN THE THIRD WORLD, THUS BACKING ALGERIAN NORTH-SOUTH APPROACH. STATEMENT ALSO STRESSED THAT WHILE VENEZUELA DID NOT SEEK TO AVOID A DISCUSSION OF ENERGY, OTHER RAW MATERIALS AND THE PROBLEMS RELATED TO THEM DESERVED EQUAL ATTENTION. VENEZUELA ALSO SUPPORTED ENLARGING NUMBER OF PARTICIPANTS FOR FULL CONFERENCE AND STRESSED THE NEED FOR THE PREPCON TO AGREE ON AN APPROPRIATE MECHANISM FOR THEIR SELECTION.

12. ZAIRE STATED IT WISHED TO EXPAND AGENDA OF FULL
CONFERENCE TO DEAL WITH "TWO OR THREE" OTHER RAW
MATERIALS AND INITIATE A SERIES OF CONFERENCES EVENTU-
ALLY TO COVER ALL IMPORTANT RAW MATERIALS. STATEMENT
CALLED ON OPEC COUNTRIES TO INVEST SURPLUS CAPITAL IN
DEVELOPING COUNTRIES AND ECHOED GENERAL THEME OF OPENING
STATEMENTS TO THE EFFECT THAT PARTICIPATION IN FULL
CONFERENCE SHOULD BE RESTRICTED BUT ADDITIONAL COUNTRIES
SHOULD BE INVITED BY THE THREE GROUPS PRESENT AT THE

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PREPCON.

13. PREPCON AGENDA: IN OPENING DISCUSSION OF ADOPTION OF PROPOSED FRENCH AGENDA FOR PREPCON, ALGERIA STATED THAT SINCE IT COULD NOT ACCEPT THAT THE FULL CONFERENCE BE NAMED AS AN INTERNATIONAL CONFERENCE ON ENERGY AND RELATED ECONOMIC PROBLEMS, IT WISHED TO ENTER A FORMAL RESERVE ON DESIGNATION OF PREPCON AS "PREPARATORY MEETING FOR THE INTERNATIONAL CONFERENCE ON ENERGY AND RELATED ECONOMIC PROBLEMS." ALGERIA THEN ASKED THAT THE CHAIR PROVIDE AN OPPORTUNITY FOR DEBATE ON THIS QUESTION. AFTER BRIEF RECESS, SAUDI ARABIA PROPOSED ADDING NEW ITEM TO PREPCON AGENDA "SELECTION OF NAME OF MAIN CONFERENCE." U.S. PROPOSED THAT IT MORE LOGICAL TO ADDRESS PROBLEM OF NAME OF FULL CONFERENCE AS PART OF ITEM ON AGENDA FOR FULL CONFERENCE. CHAIRMAN DE GUIRINGAUD THEN PUT FORWARD A COMPROMISE SOLUTION, EFFECTIVELY INCORPORATING THE U.S. SUGGESTION, WHEREBY SIXTH ITEM ON PREPCON AGENDA WOULD BE ENTITLED "DRAFT AGENDA AND SELECTION OF NAME OF THE CONFERENCE." THIS FORMULATION WAS ACCEPTED BY ALL DELEGATIONS. HOWEVER,

SAUDI ARABIA, SUPPORTED BY ALGERIA, SAID THAT IT COULD NOT AGREE THAT TITLE OF PREPARATORY MEETING BE "PREPARATORY MEETING FOR THE INTERNATIONAL CONFERENCE ON ENERGY AND RELATED ECONOMIC PROBLEMS." AFTER BRIEF DEBATE, IN CONFIDENTIAL

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WHICH DE GUIRINGAUD POINTED OUT THAT LANGUAGE WAS TAKEN FROM THE TEXT OF THE FRENCH INVITATION WHICH ALL DELEGATIONS HAD ACCEPTED, VENEZUELA PROPOSED THAT PREPARATORY MEETING BE ENTITLED "PREPARATORY MEETING FOR AN INTERNATIONAL CONFERENCE AS PROPOSED BY THE PRESIDENT OF THE FRENCH REPUBLIC." THERE WAS NO OBJECTION TO THIS FORMULATION BY ANY DELEGATION AND IT CARRIED.
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Message Attributes

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Disposition Authority: GolinoFR
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Margaret P. Grafeld
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05 JUL 2006

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